

Message Text

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COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

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TO AMEMBASSY BONN

INFO AMEMBASSY BUENOS AIRES

C O N F I D E N T I A L STATE 221324

E.O. 11652: GDS

TAGS: EFIN, AR, GW

SUBJECT: ARGENTINE CREDIT NEGOTIATIONS

REF: BONN 14836

YOU MAY PASS FOLLOWING INFORMATION TO DR. GEHRING RE
ARGENTINE ECONOMY MINISTER CAFIERO'S RECENT WASHINGTON
VISIT, DURING WHICH HE MET WITH SECRETARY SIMON,
ASSISTANT SECRETARY ROGERS, EXIMBANK PRESIDENT CASEY,
PRESIDENTIAL ADVISER SEIDMAN, FEDERAL RESERVE CHAIRMAN
BURNS, AND PRIVATE US BANKERS:

1. CAFIERO SAID EC BAN ON MEAT IMPORTS TOGETHER WITH
UNREALISTIC EXCHANGE RATE POLICY OF HIS PREDECESSORS
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HAD CAUSED ARGENTINA TO SUFFER CURRENT ACCOUNT B/P
DEFICIT OF DOLS 937 MILLION IN FIRST HALF OF 1975,
VIRTUALLY WIPING OUT ARGENTINA'S LIQUID MONETARY
RESERVES. THE MINISTER CLAIMED THE ADOPTION OF MORE

REALISTIC EXCHANGE RATES, WHICH WILL BE FREQUENTLY RE-ADJUSTED UNDER THE "CRAWLING PEG" SYSTEM, ANDEXPORT INCENTIVES, ESPECIALLY FOR GRAINS, ARE EXPECTED TO LEAD TO A COMFORTABLE CURRENT ACCOUNT SURPLUS NEXT YEAR. HE SAID ARGENTINA'S PROBLEM WAS TO BRIDGE THE GAP OVER

THE NEXT FIVE OR SIX MONTHS, FOR WHICH SOME DOLS 500-600 MILLION IN EXTERNAL FINANCIAL ASSISTANCE ARE NEEDED.

2. CAFIERO WAS TOLD THAT THE USG CANNOT PROVIDE HIM THE DIRECT FINANCIAL ASSISTANCE HE DESIRED, NOW THAT SWAP OPERATIONS ARE NO LONGER BEING USED, BUT THAT WE WERE SYMPATHETIC TO ARGENTINA'S DIFFICULTIES. SECRETARY SIMON, WHILE EXPRESSING AN UNDERSTANDING OF THE GOA'S HESITANCY, URGED THE MINISTER TO SEEK ASSISTANCE FROM THE IMF. SIMON THEN TOLD CAFIERO THAT WE WOULD ATTEMPT TO BE HELPFUL TO ARGENTINA IN ITS EFFORTS TO OBTAIN ASSISTANCE FROM THE IMF PROVIDED ARGENTINA DEVELOPED A COMPREHENSIVE ECONOMIC PROGRAM.

3. WE UNDERSTAND THE ARGENTINES ARE SEEKING SOME DOLS 135 MILLION FROM THE FUND'S COMPENSATORY FINANCING

STATISTICS DEMONSTRATING A LOSS OF EXPORTS DUE TO EXTERNAL CAUSES, AND SOME DOLS 85 MILLION FROM THE OIL FACILITY, FOR WHICH THEY MUST SET FORTH THEIR ECONOMIC PROGRAM AND THEIR PLANS FOR CONSERVATION OF ENERGY. OUR IMPRESSION IS THAT THE ARGENTINES HAVE A GOOD CHANCE OF OBTAINING SOME FINANCING FROM THESE IMF FACILITIES, ALTHOUGH THE AMOUNT REMAINS TO BE DETERMINED BY TECHNICAL DISCUSSIONS.

4. IN THEIR TALKS WITH THE US BANKS THE ARGENTINES SEEM TO HAVE BEEN FAIRLY SUCCESSFUL. WE UNDERSTAND THEY RECEIVED FIRM FINANCING OFFERS OF DOLS 240 MILLION WITH AN ADDITIONALDOLS70 MILLION ALMOST CERTAIN. OFFERS TOTALING ANOTHER DOLS 120 MILLION ARE SAID TO BE CONFIDENTIAL

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CONDITIONAL ON SUCCESS IN NEGOTIATING CREDIT FROM THE IMF AND ON SATISFYING THE LENDERS THAT THE GOA HAS A SATISFACTORY PROGRAM FOR SOLVING ITS CURRENT ECONOMIC PROBLEMS. KISSINGER

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